

Johannesburg Metropolitan Bus Services SOC Limited
(Registration number 2000/004704/07)
Trading as Metrobus
Annual Financial Statements
for the year ended 30 June 2015

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General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
LEGAL FORM OF ENTITY	Municipal entity
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing a public bus service to the commuters of The City of Johannesburg and also the hiring out of its buses to individuals and organisations
DIRECTORS	Mr K Shubane (Chairman) Mr H Msimang Mr D Baloyi Mr M Moerane Mrs M Mojapelo Ms N Batyi Mr S Mbedzi Prof. B Twala Ms S Yanguya Mrs K Sangoni-Khawe Mr M Dlamini (Chief Executive Officer)
CHIEF FINANCE OFFICER (CFO)	Mr Sabata Makoele (Acting CFO)
REGISTERED OFFICE	Transportation House 1 Raikes Road Braamfontein 2000
BUSINESS ADDRESS	Transportation House 1 Raikes Road Braamfontein 2000
POSTAL ADDRESS	PO Box 1787 Johannesburg 2000
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank South Africa
AUDITORS	The Auditor-General South Africa (AGSA)
SECRETARY	Philipa Maduka
COMPANY REGISTRATION NUMBER	2000/004704/07
LEVEL OF ASSURANCE	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 and the Municipal Finance Management Act (56 of 2003).
PREPARER OF FINANCIAL STATEMENTS	The annual financial statements were internally compiled by: Finance Manager and reviewed by Acting CFO

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act (56 of 2003)

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based on appropriate accounting policies.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the year and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While risks cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is mainly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board of directors is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for auditing the annual financial statements with the aim of expressing an audit opinion on the annual financial statements of the Johannesburg Metropolitan Bus Services SOC Limited. The annual financial statements have been examined by the entity's external auditors and their report is presented on page xxxx

Mr K Shubane (Chairman)

Mr M Dlamini (Chief Executive Officer)

Directors' Report

The directors submit their report for the year ended 30 June 2015.

1. INCORPORATION

The entity was incorporated on 01 March 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The Johannesburg Metropolitan Bus Services SOC Limited is a Municipal Entity of The City of Johannesburg Metropolitan Municipality. The entity is engaged in providing a public bus service to the commuters of the City of Johannesburg and also the hiring out of its buses to individuals and organisations and operates principally in South Africa.

The operating results and state of affairs of the entity are clearly set out in full in the attached annual financial statements. Further comments, other than the comments provided below, will be included in the Annual Report.

The company recorded a net deficit of R 80 911 237 (2014: deficit R 97 998 157) for the year under review. This is mainly attributabled to increased cost of repairs and maintenance, fare revenue collection and contracts revenue below targets.

3. GOING CONCERN

We draw attention to the fact that at 30 June 2015, the entity had **a**ccumulated deficits of R (310 420 990) , (2014: R 232 245 836) and that the entity's total liabilities exceed its assets by R (134 151 542) (2014: R 95 162 899).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The company is mainly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of its operations. The financial statements are prepared on the basis that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company`s operations, and will be providing the required funding of operations accordingly.

Should the subsidies be withdrawn, it is management and the Board's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management and the Board is unaware of any reason that could cause the City of Johannesburg Metropolitan Municipality to withdraw its financial support and therefore have no reason to believe that the company would not be operating in the forseeable future.

The City of Johannesburg Metropolitan Municipality has provided an operating subsidy of R401 million in 2014/2015 and for the forthcoming 2015/2016 R431 million financial year to cover operating expenditure incurred. The shareholder has started a process of restructuring the entity into a viable and sustainable entity by approving a turnaround strategy in June 2013. This means replacement of the current subsidy business model with a performance based contract model whereby Metrobus will be paid according to the number of contracted and scheduled kilometres operated. Roll out of the plan started in 2014 financial year with the achievement of the following key milestones:

- Development of the new financial model based on a fee per kilometre and transitional financial plan to address insolvency issues.
- Refurbishment and conversion of 30 buses from diesel to dual diesel fuel,
- Acquisition of one hundred and seventy five (175) buses .
- Finalisation of the new operational plan with revised routes and improved frequencies to improve bus service efficiency.
- Development of the Bus Operating Company Agreement (BOCA) and Service Delivery Agreement (SDA).
- Institutional review process including redesigning the organisational structure This turnaround strategy will address the insolvency issue at Metrobus.
- Development of the Bus Operating Company Agreement (BOCA) and Service Delivery Agreement (SDA).

This turnaround strategy will address the insolvency issue at Metrobus.Negotiation process to agree on the critical areas of the plan such as the fee per kilometre, BOCA and SDA, the operational plan and the new organisational structure is scheduled to take place in the 2015/16 financial year in preparation for full implementation of the turnaround plan from July 2016.

Directors' Report

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

5. SHARE CAPITAL

There were no changes in the authorised or issued share capital of the entity during the year under review. The entire shareholding of the company is held by The City of Johannesburg Metropolitan Municipality.

6. BORROWING LIMITATIONS

In terms of the service level agreement, Johannesburg Metropolitan Bus Services (SOC) Limited does not have the authority to borrow funds on its behalf. All external funding is managed under the auspicies of the City of Johannesburg Metropolitan Municipality Assets and Liability Committee (ALCO).

7. NON-CURRENT ASSETS

There were no major changes on the details of the nature of the non-current assets of the entity during the year.

8. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

9. DIRECTORS

The directors of the entity during the year and to the date of this report are as indicated below:

Name	Nationality	Changes
Mr K Shubane (Chairman)	South African - Non Executive	Appointed 03 February 2015
Mr H Msimang	South African - Non Executive	Appointed 03 February 2015
Mr D Baloyi	South African - Non Executive	Appointed 03 February 2015
Mrs B Lombard	South African - Non Executive	Retired 03 February 2015
Mr Y Gordhan	South African - Non Executive	Retired 03 February 2015
Mr M Moerane	South African - Non Executive	Re-appointed 03 February 2015
Mrs M Mojapelo	South African - Non Executive	Re-appointed 03 February 2015
Ms N Batyi	South African - Non Executive	Re-appointed 03 February 2015
Mr S Mbedzi	South African - Non Executive	Re-appointed 03 February 2015
Prof. B Twala	South African - Non Executive	Re-appointed 03 February 2015
Mrs K Sangoni-Khawe	South African - Non Executive	Re-appointed 03 February 2015
Adv. G Badela (Former Chairman)	South African - Non Executive	Retired 03 February 2015
Mrs S Yanguya	South African - Non Executive	Appointed 16 April 2015
Mr M Dlamini (Chief Executive Officer)	South African - Executive	Appointed 01 November 2014
Mr A V Niekerk (Former Interim Chief Executive Officer)	South African - Executive	Retired 01 November 2014

10. SECRETARY

The secretary of the entity is Philipa Maduka of:

Business address

Transportation House
1 Raikes Road
Braamfontein
2001

Postal address

PO Box 1787
Johannesburg
2000

Directors' Report

11. CORPORATE GOVERNANCE

11.1 General

The entity is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the entity supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa. The entity discusses the responsibilities of management in this respect at Board meetings and monitors the entity's compliance with the code on a quarterly basis.

The salient features of the entity's adoption of the Code are outlined below:

11.2 Board of directors

The Board:
- Retains full control over the entity, its plans and strategy;
- Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- Is of a unitary structure comprising:
  - 10 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 1 executive director.

11.3 Chairperson and chief executive

The Chairperson is a non-executive and independent director, as defined by the Code.

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

11.4 Human Resources and Remuneration Committee

The remuneration of the Managing Director is determined by the Board of directors within the upper limits determined by the City of Johannesburg Metropolitan Municipality in terms of MFMA. The committee advises the Board on human resources policies, remuneration and other conditions of employment.

The members of the Human Resources and Remuneration Committee are Ms M Mojapelo (Chairperson), Ms K Sangoni-Khawe, Mr S Mbedzi, Mr M Moerane, Mr S Msimango and Professor B Twala. The Committee met on four seperate occassions during the financial year.

11.5 Social and Ethics Committee

The members of the Social and Ethics Committee are Mr M Moerane (Chairperson), Mr D Baloyi, Ms M Mojapelo, Ms S Yanguya and Mr M Dlamini. The Social and Ethics Committee met twice in the year under review.The function of the committee is to monitor the companies activities, having regard to any relevent legislation and other legal requirements or prevailing codes of best practice.

11.6 Executive meetings

The Board and various committees have met on 39 separate occasions during the financial year.

Non-executive directors have access to all members of management of the entity.

Various meetings were held during the current financial year to discuss, amongst others the restructuring and refleeting of Metrobus.

The following meetings were held by the Board and its sub commitees:

Name	Board Meeting	Audit and Risk Committee meeting	HR and REM Committee Meeting	Social and Ethics Commette Meeting	AGM Meeting	Other Meeting	Total
Total number of meetings held	14	9	4	2	1	9	39
Mr K Shubane (Chairman)	4					2	6
Mr H Msimang	3	1	1			2	7
Mr D Baloyi	4			1		1	6
Mrs B Lombard	8		3			2	14
Mr Y Gordhan	6	7			1	4	18
Ms K Sangoni-Khawe	6	4	1		1	5	17
Mr M Moerane	6		1	2		1	10
Mrs M Mojapelo	9		4			1	14
Ms N Batyi	6			1	1		8
Mr S Mbedzi	12	4	3		1	6	26
Prof. B Twala	9		3		1	2	15
Mrs S Yanguya	3	7			1	1	12
Ms K Parirenyatwa	1	5			1	1	8
Ms S Mzizi	1	7			1	1	10
Adv. G Badela (ex-Chairperson)	9				1		10
Mr M Dlamini (MD)	5	4	1	1	1	2	14
Mr A V Niekerk (Former Interim MD)	2	1	1	1		2	7

11.7 Audit and risk committee

The committee met 9 times during the financial year to review matters necessary to fulfil its role.

Members of the Audit and Risk Committee are Ms S Yanguya (Chairperson), Ms K Parirenyatwa (Independent), Ms S Mzizi(Independent), Mr S Mbedzi, Ms K Sangoni-Khawe ,Mr H Msimang and Ms N Batyi..

In terms of Section 166 of the Municipal Finance Management Act, The City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, Municipal Finance Management Act requires that the parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

11.8 Internal audit

The entity has co-sourced its internal audit function to PricewaterhouseCoopers (PwC) who took over from Bonani Chartered Accountants effectively from February 2015. This is in compliance with the Municipal Finance Management Act, 2003.

12. CONTROLLING ENTITY

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality incorporated in South Africa.

Directors' Report

13. BANKERS

The company's bankers is the Standard Bank of South Africa Limited (SBSA), in terms of the agreement with the City of Johannesburg Metropolitan Municipality and its subsidiaries.

The management of the Treasury function within the company is managed by the Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury department.

14. AUDITORS

Auditor General - Johannesburg will continue in office for the next financial period in accordance with the Public Audit Act no. 25, section 92 of the Municipal Financial Management Act no. 56 of 2003 and section 90 of the Companies Act 71 of 2008.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the CIPC, for the year ended 30 June 2014, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Philipa Maduka
Company Secretary
07 August 2015

Statement of Financial Position as at 30 June 2015 as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	2	12 430 713	9 153 018
Receivables from exchange transactions	4	5 977 993	11 575 332
Prepayments	6	4 092 398	5 896 421
Insurance fund	10	1 447 779	1 907 226
Cash and cash equivalents	7	277 998	71 237
		24 226 881	**28 603 234**
Non-Current Assets			
Property, plant and equipment	8	271 354 659	179 956 474
Intangible assets	9	3 223 855	3 448 960
Loans to shareholders	3	29 485 294	30 442 329
		304 063 808	**213 847 763**
Non-Current Assets		304 063 808	213 847 763
Current Assets		24 226 881	28 603 234
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**328 290 689**	**242 450 997**
Liabilities			
Current Liabilities			
Loans from shareholders	3	278 397 598	197 931 849
Other financial liabilities	11	21 696 318	19 746 837
Finance lease obligation	12	1 056 370	442 789
Payables from exchange transactions	13	121 445 762	49 797 482
Deferred income	14	4 264 490	4 544 795
Provisions	15	10 811 733	8 540 112
		437 672 271	**281 003 864**
Non-Current Liabilities			
Other financial liabilities	11	2 893 556	24 589 868
Finance lease obligation	12	2 070 296	666 164
Employee benefit obligation	5	19 806 108	31 354 000
		24 769 960	**56 610 032**
Non-Current Liabilities		24 769 960	56 610 032
Current Liabilities		437 672 271	281 003 864
Liabilities of disposal groups		-	-
Total Liabilities		**462 442 231**	**337 613 896**
Assets		328 290 689	242 450 997
Liabilities		(462 442 231)	(337 613 896)
Net Assets		**(134 151 542)**	**(95 162 899)**
Share capital	16	54 774 330	54 774 330
Reserves			
Revaluation reserve	17	121 495 118	82 308 607
Accumulated defecit		(310 420 990)	(232 245 836)
Total Net Assets		**(134 151 542)**	**(95 162 899)**

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Statement of Financial Performance for the year ended 30 June 2015

Amounts in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		102 365 043	112 368 585
Miscellaneous other revenue		-	6 907 894
Actuarial gain		12 234 497	(272 926)
Other income		2 549 120	5 046 888
Interest received - investment		1 616 354	1 643 981
Total revenue from exchange transactions		**118 765 014**	**125 694 422**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies		400 637 040	329 703 000
		118 765 014	125 694 422
		400 637 040	329 703 000
Total revenue		**519 402 054**	**455 397 422**
Expenditure			
Employee related costs	19	(272 201 062)	(242 350 532)
Depreciation and amortisation		(38 818 867)	(46 424 457)
Impairment of assets and inventory		(1 877 522)	(9 674 783)
Finance costs	21	(17 871 454)	(13 782 828)
Debt impairment		-	(7 288 861)
Repairs and maintenance		(70 932 038)	(73 851 490)
Diesel		(75 745 712)	(87 937 970)
Insurance		(3 065 931)	(5 468 774)
General Expenses	35	(113 845 981)	(60 515 787)
Total expenditure		**(594 358 567)**	**(547 295 482)**
		-	-
Total revenue		519 402 054	455 397 422
Total expenditure		(594 358 567)	(547 295 482)
Operating deficit	18	**(74 956 513)**	**(91 898 060)**
Loss on disposal of assets		(5 954 724)	(6 100 097)
Deficit before taxation		(80 911 237)	(97 998 157)
Taxation		-	-
Deficit for the year		**(80 911 237)**	**(97 998 157)**

Johannesburg Metropolitan Bus Services SOC Limited

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Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Revaluation Reserve	Accumulated deficit	Total net assets
Opening balance as previously reported		13 726 387	41 047 943	54 774 330	74 561 174	(134 852 762)	(5 517 258)
Prior year adjustments	28	-	-	-	(1 146 953)	(144 267)	(1 291 220)
Balance at 01 July 2013 as restated		**13 726 387**	**41 047 943**	**54 774 330**	**73 414 221**	**(134 997 029)**	**(6 808 478)**
Changes in net assets							
Deficit for the year		-	-	-	-	(97 998 157)	(97 998 157)
Realisation of revaluation reserve to retained earnings		-	-	-	(749 350)	749 350	-
Revaluations for the year		-	-	-	9 643 736	-	9 643 736
Total changes		-	-	-	8 894 386	(97 248 807)	(88 354 421)
Balance at 01 July 2014		**13 726 387**	**41 047 943**	**54 774 330**	**82 308 607**	**(232 245 836)**	**(95 162 899)**
Changes in net assets							
Deficit for the year		-	-	-	-	(80 911 198)	(80 911 198)
Realisation of revaluation reserve to retained earnings		-	-	-	(2 736 044)	2 736 044	-
Revaluation for the year		-	-	-	41 922 555	-	41 922 555
Total changes		-	-	-	39 186 511	(78 175 154)	(38 988 643)
Balance at 30 June 2015		**13 726 387**	**41 047 943**	**54 774 330**	**121 495 118**	**(310 420 990)**	**(134 151 542)**

Cash Flow Statement for the year ended 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Interest income		-	-
Grants		400 356 735	329 703 000
Receipts from rendering of passenger services		124 321 684	107 652 498
Other cash item		1 616 354	5 043 888
		526 294 773	442 399 386
Payments			
Employee costs		(283 748 954)	(239 851 633)
Suppliers		(184 404 375)	(149 378 763)
Finance costs		(17 871 454)	(13 782 828)
Other payments		(75 745 712)	(70 514 612)
		(561 770 495)	(473 527 836)
Total receipts		526 294 773	442 399 386
Total payments		(561 770 495)	(473 527 836)
Net cash flows from operating activities	22	**(35 475 722)**	**(31 128 450)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(25 093 833)	(14 157 403)
Proceeds from sale of property, plant and equipment	8	119 999	-
Purchase of other intangible assets	9	(301 289)	-
Reduction in Insurance Fund		-	1 492 016
Interest Income		-	-
Net cash flows from investing activities		**(25 275 123)**	**(12 665 387)**
Cash flows from financing activities			
Repayment of other financial liabilities		(19 746 831)	(18 042 411)
Financing from shareholders loan		81 422 784	62 545 916
Finance lease payments		2 017 713	(830 986)
Net cash flows from financing activities		**63 693 666**	**43 672 519**
Net increase/(decrease) in cash and cash equivalents		**206 761**	**(121 318)**
Cash and cash equivalents at the beginning of the year		71 237	192 556
Cash and cash equivalents at the end of the year	7	**277 998**	**71 238**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	162 635 000	-	**162 635 000**	102 365 043	**(60 269 957)**	
Reversal of impairment	-	-	**-**	12 234 497	**12 234 497**	
Other income - (rollup)	-	-	**-**	2 549 120	**2 549 120**	
Interest received (paid) - investment	-	-	**-**	1 616 354	**1 616 354**	
Total revenue from exchange transactions	**162 635 000**	**-**	**162 635 000**	**118 765 014**	**(43 869 986)**	
Revenue from non-exchange transactions						
Other revenue						
Government grants	350 637 000	50 000 000	**400 637 000**	400 637 040	**40**	
'Total revenue from exchange transactions'	162 635 000	-	**162 635 000**	118 765 014	**(43 869 986)**	
'Total revenue from non-exchange transactions'	350 637 000	50 000 000	**400 637 000**	400 637 040	**40**	
Total revenue	**513 272 000**	**50 000 000**	**563 272 000**	**519 402 054**	**(43 869 946)**	
Expenditure						
Employee Related costs	(234 872 000)	(39 526 000)	**(274 398 000)**	(272 201 062)	**2 196 938**	
Depreciation and amortisation	(31 792 000)	-	**(31 792 000)**	(38 818 861)	**(7 026 861)**	
Impairment losses	-	-	**-**	(1 877 522)	**(1 877 522)**	
Finance costs	(21 330 000)	-	**(21 330 000)**	(17 871 454)	**3 458 546**	
Allowance for impairment of current receivables	(400 000)	-	**(400 000)**	-	**400 000**	
Repairs and maintenance	(77 324 000)	-	**(77 324 000)**	(70 932 038)	**6 391 962**	
Diesel	(82 582 339)	-	**(82 582 339)**	(75 745 712)	**6 836 627**	
Insurance	(5 354 860)	-	**(5 354 860)**	(3 065 931)	**2 288 929**	
General Expenses	(59 616 801)	(10 474 000)	**(70 090 801)**	(113 845 948)	**(43 755 147)**	
Total expenditure	**(513 272 000)**	**(50 000 000)**	**(563 272 000)**	**(594 358 528)**	**(31 086 528)**	
	513 272 000	50 000 000	**563 272 000**	519 402 054	**(43 869 946)**	
	(513 272 000)	(50 000 000)	**(563 272 000)**	(594 358 528)	**(31 086 528)**	
Operating deficit	**-**	**-**	**-**	**(74 956 474)**	**(74 956 474)**	
Loss on disposal of assets	-	-	**-**	(5 954 724)	**(5 954 724)**	
	-	-	**-**	(74 956 474)	**(74 956 474)**	
	-	-	**-**	(5 954 724)	**(5 954 724)**	
Deficit before taxation	**-**	**-**	**-**	**(80 911 198)**	**(80 911 198)**	
Surplus before taxation	-	-	**-**	(80 911 198)	**(80 911 198)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(80 911 198)**	**(80 911 198)**	

Statement of Comparison of Budget and Actual Amounts

Management considers 10% or more of variance as material. A detailed description of the variances is provided below:

1. **Revenue from rendering of services**: The entity operated with 110 bus shortfalls due to the ageing fleet. Due to shortage of reliable buses not all scheduled trips were operated

2. Employee Related Costs: Savings were made after the adjustment. Certain vacancies budgeted for were not filled during the time and others were filled late during the year. This saving can be set-off against overspending on consultants:

3. Depreciation: The increase is due revaluation of assets as at 31 June 2015 and this had not been taken into consideration during budgeting as the budget was prepared before the previous year end.

4. **Finance Costs**: The budget had anticipated internal finance charges for purchase of CNG buses by mid year. The buses were only purchased after year-end. However, finance charges from overdraft reflected an increased negative variance.14 and this had not been taken into consideration during budgeting as the budget was prepared before the previous year end.

5. Repairs and Maintenance: Increase in Repairs and Maintenance were due convensions and refurbishment of buses..

6. Contracted Services: Leasing of Autopax buses that came in at a higher cost than initially budgeted for and an additional extra charge for excess distance travelled by the hired fleet. .

7. General expenses: This line item has gone up due to a water bill for R19 million received in the current which was back dated to 2011.

8. **Contracted Service**s:Consultants were utilised in assisting the procurement and finance section, however this cost has been set-off against savings in employee related costs.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.Refer to note 31.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formulation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance is made to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating surplus (deficit) note.

Fair value estimation

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Management judgement is required to assess future work performance scores in order to determine what the possible bonus payments in future periods will be. Management uses historical information for this assessment. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives of depreciable non current assets

The entity's management determines the estimated useful lives and related depreciation charges for depreciable non current assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.Refer to note 28

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The entity used the discounting rate provided by the treasury function of the City of Johannesburg for future cash flows which is the average rate of the sweeping account.

Allowance for impairment of trade and other receivables

An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and buildings and specialised vehicles which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies

1.3 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives

Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete conversions work (Asset under construction) on buses is stated at historical cost. Depreciation only commeces when the asset is ready for use.

Leased motor vehicles are depreciated over the shorter of the lease or useful life.The average lease term is 3 years.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	8 - 35 years
Plant and machinery	2 - 25 years
Furniture and fixtures	1 - 25 years
Leased motor vehicles	3 - 20 years
Office equipment	2 - 20 years
IT equipment	1 - 12 years
Leasehold improvements	8 - 30 years
Fare collection equipment	4 - 18 years
Specialised Vehicles	2 - 40 years
Tools and loose gear	2 - 22 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of , or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.3 Property, plant and equipment (continued)

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	4 - 20 years

1.5 Financial instruments

Classification

The entity classifies financial instruments, or their component part , on initial recognition as a financial assets, a financial liabilities or an equity instrument in accordance with the subject of the contractual agreement.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Accounting Policies

1.5 Financial instruments (continued)

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Fair value determination

If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) shareholders

These include loans to and from shareholders and are recognised initially at fair value plus direct transaction costs. Loans to (from) shareholders are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounting Policies

1.5 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as financial liabilities measured at amortised cost.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Accounting Policies

1.5 Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

Inventories includes consumable stores , spare parts, diesel, work in progress and stationery.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

Short term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

The short term employee benefits includes items such as salaries, paid vacation leave , sick leave, bonuses, and non-monetary benefits such as medical care.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for that service as a liability or as an expense,unless another standard requires or permits the inclusion of the benefits in the cost of asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

The entity provides defined benefit plans (post-retirement health care benefits, housing subsidies and gratuities) upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Certain pension funds allow members to purchase additional service in terms of the fund's rules. This is reflected in the statement of financial performance when the expense is incurred.

The economic entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

Actuarial gains and losses comprise experience adjustments (effects of differences between the previous actuarial assumptions and what actually occured) and the effects of changes in actuarial assumptions.Actuarial gains and losses are recognised in full in the period in which they arise as income or expenditure for all defined benefit plans.

The projected unit credit method has been used to value the liability .

1.11 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The provision is made up of the provision for bonus (13th cheque)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.11 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay amount.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Grants and subsidy

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.14 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandibility and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

Accounting Policies

1.16 Unauthorised expenditure (continued)

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised through a transfer from the revaluation reserve to the accumulated surplus/deficit on disposal of the revalued property, plant and equipment. The net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.20 Gratuities

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.21 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Accounting Policies

1.21 Budget information (continued)

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Johannesburg Metropolitan Bus Services SOC Limited is an entity of the City of Johannesburg Metropolitan Municipality incorporated in South Africa. Refer to note 27 for the list of the related parties (other entities owned by The City) and the outstanding balances for transactions entered into during the year.

1.23 Deferred Income

Revenue recieved in advance is recognised as income to the extent that the entity complied with any of the criteria, conditions embodied in the agreement. To the extent that the criteria,conditions or obligations have not been met a liability is recognised.

1.24 Prepayments

Prepayments consists mainly of licenses for Vehicles and Buses and Software licenses which are payable on an annual basis. The costs are being released to the Statement of Financial Performance over a period relating to the prepayment.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. Inventories

Work in progress	106 996	106 996
Consumable stores	257 171	190 973
Spare parts	14 159 787	10 176 907
Tag stock	1 079 953	1 630 514
Fuel (Diesel, Petrol)	1 367 213	969 006
Less: Provision for obsolescence	(4 540 407)	(3 921 378)
	12 430 713	**9 153 018**

Provision for obsolescence stock is made up of:

1) Spare parts that are obsolete R1.4 million; (2014 : R 2.1 million).
2) Slow moving stock of R3.1 million; (2014 : R 1.8 million) that might in future periods not realise its value.

Diesel expenditure:

The diesel expenditure for the current year amounted to R75,745,712.00 (2014: R87,937,970.00). During the year the entity experienced EAM system problems that affected diesel purchasing, receipting and dispensing and this led to a manual adjustment to diesel expenditure by R2.7 million. Management has developed new standard operating procedures to improve the process of purchasing, reconciling and processing of diesel which will be accompanied by a fleet management system that will include on-board monitoring of the vehicle performance. Management has implemented investigations into excessive diesel consumption, which will limit possible pilferage or theft and align the reconciliation processed across all the depots.

3. Loans to/(from) shareholders

City of Johannesburg Metropolitan Municipality - Notional loans These are non interest bearing loans with no repayment conditions. They relate to the Post retirement Liabilities of employees who were transferred from the parent municipality at formation, refer to note 6.1 for further breakdown of the balance. Refer to note 5 for information regarding the Retirement Liabilities.	29 485 294	30 442 329
City of Johannesburg Metropolitan Municipality - Sweeping account A loan paying interest at Prime less 4.5% with no repayment conditions. The movement is due to loan repayments that fell due during the year, as well as the losses incurred.	(278 397 598)	(197 931 849)
	(248 912 304)	**(167 489 520)**

Non-current assets	29 485 294	30 442 329
Current liabilities	(278 397 598)	(197 931 849)
	(248 912 304)	**(167 489 520)**

Credit quality of loans to shareholders

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Fair value of loans to and from shareholders

Loans to shareholders	29 485 294	30 442 329

Sweeping account

Loans at beginning of the year	(197 931 849)	(135 791 881)
Receipts	546 633 449	397 512 450
Repayments	(627 099 198)	(459 652 418)
	(278 397 598)	**(197 931 849)**

Figures in Rand	2015	2014

4. Receivables from exchange transactions

Trade debtors	16 146 903	15 455 875
Staff debtors	350 953	378 638
Deposits	20 702	20 702
Provision for impairment	(13 220 289)	(13 220 289)
Sundry debtors	2 243 377	8 919 497
Insurance debtor	20 894	20 894
Operating lease asset	135 114	-
Other intercompany debtors	280 339	15
	5 977 993	**11 575 332**

Trade debtors

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015 R 1 391 435 (2014:R 2 849 378) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	783 041	556 421
2 months past due	602 321	1 088 258
3 months past due	6 073	766 594

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 13 220 289 (2014: R 13 220 289) were impaired and provided for.

The ageing of these amounts are as follows:

1 to 6 months	2 157 355	4 669 228
Over 6 months	13 989 545	9 570 545

Reconciliation of provision for impairment of trade and other receivables

Opening balance	13 220 289	5 931 428
Provision for impairment	-	7 288 861
	13 220 289	**13 220 289**

	Government Entities	Business	Other debtors	Total
1 - 30 days	156 620	1 362 782	-	1 519 402
31-60 days	80 000	522 321	-	602 321
61-90 days	-	6 073	-	6 073
91-180 days	19 850	9 709	-	29 559
181-360 days	62 720	692 629	-	755 349
+361 days	339 636	12 874 664	19 896	13 234 196
	658 826	**15 468 178**	**19 896**	**16 146 900**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Employee benefit obligations

5.1 Defined benefit plan

Post-retirement liability		
Post-Retirement Medical Aid Plan	(6 655 592)	(19 697 000)
Post-Retirement Housing Subsidy Plan	(30 513)	(221 000)
Retirement Gratuity Plan	(13 120 003)	(11 436 000)
	(19 806 108)	**(31 354 000)**

5.1.1 Post retirement medical aid plan

Movements for the 12 months

Opening balance	19 697 000	18 004 000
Net expense recognised in the statement of financial performance	(13 041 408)	1 693 000
	6 655 592	**19 697 000**

Net expense recognised in the statement of financial performance

Current service cost	712 000	772 000
Interest cost	1 772 000	1 441 000
Actuarial gains	(15 403 204)	(395 000)
Benefits paid	(122 204)	(125 000)
	(13 041 408)	**1 693 000**

Notional loan account

Opening balance	22 380 982	21 255 503
Interest received	1 339 089	1 125 479
Benefits payments	(122 204)	-
Balance at end of year	**23 597 867**	**22 380 982**

Figures in Rand	2015	2014

5. Employee benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows on 30 June 2015.

Discount rates used	7,60 %	8,01 %
Expected rate of return on assets	7,60 %	8,01 %
Expected increase in salaries	7,60 %	8,01 %

Other assumptions:

Age of spouse	-	Husbands 5 Years older than wives.
Pre-retirement Mortality	-	In accordance with the SA 85-90 ultimate table
Post-retirement Mortality	-	In accordance with the PA(90) ultimate tables

5.1.2 Post retirement housing subsidy plan

Movements for the 12 months

Opening balance	221 000	226 000
Net expense recognised in the statement of financial performance	(190 487)	(5 000)
	30 513	**221 000**

Net expense recognised in the statement of financial performance

Current service cost	7 000	7 000
Interest cost	20 000	18 000
Actuarial gains	(217 487)	(30 000)
	(190 487)	**(5 000)**

Key assumptions used

Assumptions used on last valuation on 30 June 2015.

Discount rates used	7,60 %	8,01 %
Expected rate of return on assets	7,60 %	8,01 %
Expected increase in salaries	7,04 %	8,05 %

5.1.3 Post retirement gratuity plan

Amounts recognised in the Statement of financial position

Movements for the 12 months

Opening balance	11 436 000	11 962 000
Benefits paid	(2 583 191)	(2 038 962)
Net expense recognised in the statement of financial performance	4 267 194	1 512 962
	13 120 003	**11 436 000**

Net expense recognised in the statement of financial performance

Interest cost	881 000	815 000
Actuarial losses	3 386 194	697 962
	4 267 194	**1 512 962**

Figures in Rand	2015	2014

5. Employee benefit obligations (continued)

Notional loan account

Opening balance	8 054 823	9 586 162
Interest received	415 804	507 587
Benefits payments	(2 583 191)	(2 038 926)
Balance at end of year	**5 887 436**	**8 054 823**

Key assumptions used

Assumptions used on last valuation on 30 June 2015.

Discount rates used	7,60 %	8,01 %
Expected rate of return on assets	7,60 %	8,01 %
Expected increase in salaries	7,60 %	8,01 %

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(19 806 108)	(31 354 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	31 354 000	30 192 000
Benefits paid	(2 583 191)	(2 163 926)
Net expense recognised in the statement of financial performance	(8 964 701)	3 325 926
Closing balance	**19 806 108**	**31 354 000**

Net expense recognised in the statement of financial performance

Current service cost	719 000	779 000
Interest cost	2 673 000	2 274 000
Actuarial (gains) / losses	(12 356 701)	272 926
Total included in employee related costs	**(8 964 701)**	**3 325 926**

6. Prepayments

Prepayments consists of:		
Vehicles and bus licences	3 908 461	4 097 455
Software licences and others	183 937	1 798 966
	4 092 398	**5 896 421**

The prepayments of expenditure is amortised to the Statement of Financial Peformance over a period relating to the prepayment.ditional text

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	70 478	51 994
Bank balances	207 520	19 243
	277 998	**71 237**

Figures in Rand	2015	2014

7. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Current Main Account - 405 439 4833	-	-	-	1 065	1 065	-
SBSA Main Account - 197157	-	-	7 297	(80 544)	(104 064)	(87 789)
SBSA Salaries Account - 197203	-	-	3 794	-	-	-
SBSA Charges Account - 197130	-	1	-	-	-	-
ABSA Salaries Account - 405 439 4841	-	1	-	-	-	-
Petty cash and cash floats	-	-	-	70 478	-	-
Total	**-**	**2**	**11 091**	**(9 001)**	**(102 999)**	**(87 789)**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32 760 000	-	32 760 000	22 699 000	-	22 699 000
Buildings	56 796 548	(8 954 553)	47 841 995	38 859 268	(2 396 137)	36 463 131
Leasehold property	1 164 842	(520 724)	644 118	1 515 143	(628 876)	886 267
Plant and machinery	5 801 635	(4 129 267)	1 672 368	5 277 649	(3 609 317)	1 668 332
Furniture and fixtures	3 897 569	(2 649 451)	1 248 118	3 805 972	(2 285 726)	1 520 246
Motor vehicles	6 817 574	(3 653 605)	3 163 969	4 614 372	(3 074 332)	1 540 040
Office equipment	1 009 301	(715 687)	293 614	1 008 453	(612 686)	395 767
IT equipment	7 053 140	(5 264 949)	1 788 191	7 018 336	(4 439 069)	2 579 267
Other property, plant and equipment	-	-	-	4 296 694	(4 296 694)	-
Work in progress (Buses)	34 013 500	-	34 013 500	-	-	-
Fare collection equipment	7 566 236	(7 059 197)	507 039	8 295 729	(7 520 904)	774 825
Specialised vehicles	171 452 028	(24 363 638)	147 088 390	154 356 049	(43 389 450)	110 966 599
Tools and loose gear	1 508 249	(1 174 892)	333 357	1 448 852	(985 852)	463 000
Total	**329 840 622**	**(58 485 963)**	**271 354 659**	**253 195 517**	**(73 239 043)**	**179 956 474**

Reconciliation of property, plant and equipment - 2015

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Revaluations	Non-Exchange transactions	Depreciation	Impairment loss	Total
Land	22 699 000	-	-	-	10 061 000	-	-	-	32 760 000
Buildings	36 463 131	199 722	-	188 114	19 945 581	-	(8 954 553)	-	47 841 995
Leasehold property	886 267	-	-	(188 114)	-	-	(54 035)	-	644 118
Plant and machinery	1 668 332	421 126	(17 351)	1 599	-	151 514	(552 852)	-	1 672 368
Furniture and fixtures	1 520 246	143 301	(19 603)	(14 459)	-	94 985	(476 352)	-	1 248 118
Motor vehicles	1 540 040	2 203 202	-	-	-	-	(579 273)	-	3 163 969
Office equipment	395 767	-	(7 581)	(16 280)	-	33 683	(111 975)	-	293 614
IT equipment	2 579 267	714 782	(79 853)	45 685	-	68 201	(1 539 891)	-	1 788 191
Work in progress (Buses)	-	34 013 500	-	-	-	-	-	-	34 013 500
Fare collection equipment	774 825	-	(4 672)	-	-	-	(263 114)	-	507 039
Specialised vehicles	110 966 599	57 229 904	(5 934 406)	-	11 552 609	-	(25 536 541)	(1 189 775)	147 088 390
Tools and loose gear	463 000	107 064	(11 257)	(16 545)	-	14 982	(223 887)	-	333 357
	179 956 474	**95 032 601**	**(6 074 723)**	**-**	**41 559 190**	**363 365**	**(38 292 473)**	**(1 189 775)**	**271 354 659**

It should be noted the total additions in 2015 includes Capex amounting to R 69 938 724 which had not been paid for at year end and is included in the payables and accruals. Included in Work in progress is the bus refurbishment and conversion of 30 buses to Diesel Duel Fuel. This is in line with the entity's strategy of going green.

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	22 699 000	-	-	-	-	-	-	22 699 000
Buildings	38 444 603	22 344	-	-	-	(2 003 816)	-	36 463 131
Leasehold property	968 808	-	-	-	-	(82 541)	-	886 267
Plant and machinery	2 463 296	6 698	(25 624)	-	-	(776 038)	-	1 668 332
Furniture and fixtures	1 951 085	15 983	(13 541)	-	-	(433 281)	-	1 520 246
Motor vehicles	739 285	1 258 717	-	-	-	(457 962)	-	1 540 040
Office equipment	662 227	44 342	(20 407)	-	-	(290 395)	-	395 767
IT equipment	3 231 691	595 854	(18 320)	-	-	(1 229 958)	-	2 579 267
Fare collection equipment	1 271 096	-	-	-	-	(496 271)	-	774 825
Specialised vehicles	140 473 109	13 503 671	(5 868 988)	9 259 462	384 274	(38 246 349)	(8 538 580)	110 966 599
Tools and loose gear	870 222	14 406	(153 219)	-	-	(268 409)	-	463 000
	213 774 422	**15 462 015**	**(6 100 099)**	**9 259 462**	**384 274**	**(44 285 020)**	**(8 538 580)**	**179 956 474**

It should be noted that the total additions for 2014 included Capex of R 1 304 614 which had not been paid for at year end and was included in Accounts payable and accruals

Figures in Rand	2015	2014

8. Property, plant and equipment (continued)

Pledged as security

2006 Mercedes Benz Buses Used to secure borrowings granted by the City of Johannesburg Metropolitan Municipality (127 buses)	42 047 966	49 888 489

Valuer details

Land and buildings are re-valued independently every 2 years. The revaluations took place in the prior financial year, the valuation was performed by SCB Property Valuers and Consultants, an independent valuer appointed by Metrobus. The values were determined with reference to the current market prices taking similar buildings into account.

Specialised vehicles are revalued on a yearly basis.
The valuation was performed by AssetVal, an independent valuer appointed by Metrobus. The values were determined with reference to the vehicles active market prices taking into account kilometers travelled and other factors.

9. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	9 695 776	(6 471 921)	3 223 855	9 394 487	(5 945 527)	3 448 960

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	3 448 960	301 289	(526 394)	3 223 855

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	5 588 396	(2 139 436)	3 448 960

10. Insurance fund

Movement for the year

Opening balance	1 907 226	3 399 242
Claims against the fund	(459 447)	(1 492 016)
	1 447 779	**1 907 226**

The company has a Bus Fleet Self Insurance Fund which is administered by AON, an insurance fund administrator. Contributions to this insurance contingency fund are made at the discretion of the company's directors. The premiums paid into Guardrisk belong to the City for as long as no claims are incurred for those premiums. The premiums payable by Metrobus for this self insurance arrangement is used for the payment of insurance excesses applicable on the Metrobus claim. Claims against the fund are processed as and when qualifying incidents occur.

In addition to this self insurance component, the company has another insurance (arranged through AON, the City's appointed brokers). This insurance caters for all losses over and above the excesses refered above and expensed immediately.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Other financial liabilities

At amortised cost		
Structured loans City of Johannesburg Metropolitan Municipality 2007 Capex Loan. The loan carries interest at 9% per annum and is repayable in fixed quarterly installments until 30 June 2017.	21 696 318	39 453 353
Non Annuity Loans City of Johannesburg Metropolitan Municipality 2008 Capex Loan. The loan carries interest at 10.9% per annum and is repayable in fixed quarterly installments until 30 June 2018	2 893 556	4 883 352
	24 589 874	**44 336 705**
Total other financial liabilities	**24 589 874**	**44 336 705**
Non-current liabilities		
At amortised cost	2 893 556	24 589 868
Current liabilities		
At amortised cost	21 696 318	19 746 837

12. Finance lease obligation

Minimum lease payments due		
- within one year	1 056 370	442 789
- in second to fifth year inclusive	2 952 239	887 889
	4 008 609	1 330 678
less: future finance charges	(881 943)	(221 725)
Present value of minimum lease payments	**3 126 666**	**1 108 953**
Present value of minimum lease payments due		
- within one year	1 056 370	442 789
- in second to fifth year inclusive	2 070 296	666 164
	3 126 666	**1 108 953**
Non-current liabilities	2 070 296	666 164
Current liabilities	1 056 370	442 789
	3 126 666	**1 108 953**

It is the entity policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 17% (2014: 17%).

All leases have fixed repayments.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. Payables from exchange transactions

Trade payables and Accruals	112 865 181	27 198 136
Accrued leave pay	8 045 586	18 100 618
Other accrued expenses	(1)	2 280 000
Sundry creditors	534 996	608 510
Related party creditor	-	1 610 218
	121 445 762	**49 797 482**

Figures in Rand	2015	2014

13. Payables from exchange transactions (continued)

In current financial year the Trade payables and Accrual increased significantly due to the following :

- Purchase of new buses and conversion thereof .
- Waterback log expense and purchase of the gas plant .

14. Deferred income

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.

Movement during the 12 months

Balance at the beginning of the year	4 544 795	4 105 537
Increase (decrease) during the year	(280 305)	439 258
	4 264 490	**4 544 795**

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for incentive bonus and 13th cheques	8 540 112	16 547 551	(14 275 930)	10 811 733

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for incentive bonus and 13th cheques	6 484 963	13 090 305	(11 035 156)	8 540 112

The provision is management's best estimate of the future performance bonus payout in respect of the past year based on past experience.

The bonus provision above includes provision for 13th cheque of R9,720,717 (2014: R7,975,545) and performance incentives of R1,091,015 (2014: R564,568)

The provision for service bonuses is expected to realise during November 2015, as the annual service bonuses are paid to employees during November.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Share capital

Authorised

1 000 Ordinary shares of R1 each	1 000	1 000

Reconciliation of number of shares issued:

Reported as at 01 July 2014	2	2

998 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued

Ordinary	2	2
Ordinary Type A	13 726 385	13 726 385
Share premium	41 047 943	41 047 943
	54 774 330	**54 774 330**

17. Revaluation reserve

Assets were revalued to market values in terms of the articles of association, revaluation reserves are classified as non-distributable reserves. The whole balance is treated as a non-distributable reserve, and consist of unrealised revaluation surpluses.

Opening balance	82 308 607	73 414 221
Change during the year	39 186 511	8 894 386
	121 495 118	**82 308 607**

18. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	562 429	766 573
Equipment		
• Contractual amounts	29 945 030	9 443 876
	30 507 459	**10 210 449**

Loss on sale of property, plant and equipment	(5 954 724)	(6 100 097)
Impairment on property, plant and equipment	1 189 775	8 538 542
Amortisation on intangible assets	526 394	2 139 436
Depreciation on property, plant and equipment	38 292 467	44 285 021
Employee costs	272 201 062	242 350 532

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

19. Employee related costs

Employee related costs : Salaries and wages	186 585 671	168 018 630
Employee related costs : Staff costs	165 169	314 784
Housing benefits and allowances	1 521 954	1 504 320
Overtime payments	18 344 552	16 824 990
Bonus	15 247 532	13 090 305
Travel, motor car, accommodation, subsistence and other allowances	3 990 886	2 771 562
Other payroll levies	12 646 411	10 088 153
Leave pay provision charge	(3 229 233)	2 036 304
Defined contribution plans	34 516 997	24 593 990
Training	1 089 917	1 083 811
Board members fees and retainers	1 321 206	2 023 683
	272 201 062	**242 350 532**

Remuneration of Managing Director

Annual Remuneration	1 100 000	-
Contributions to UIF, Medical and Pension Funds	12 269	-
Other	8 000	-
	1 120 269	**-**

Remuneration of Former-Chief finance officer

Annual Remuneration	1 012 731	992 360
Car Allowance	11 000	-
Contributions to UIF, Medical and Pension Funds	69 573	61 349
Other	17 107	81 515
	1 110 411	**1 135 224**

Acting Chief Finacial Officer (Deputy Chief Financial Officer)

Annual Remuneration	643 409	245 140
Car Allowance	192 000	80 000
Contributions to UIF, Medical and Pension Funds	63 206	19 126
Other	61 935	45 152
	960 550	**389 418**

Interim Managing Director

Other	-	42 000

General Manager (Human Resources)

Annual Remuneration	891 116	886 944
Car Allowance	117 600	127 400
Contributions to UIF, Medical and Pension Funds	58 867	57 817
Other	16 813	34 967
	1 084 396	**1 107 128**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

19. Employee related costs (continued)

General Manager: Chief Audit Executive

Annual Remuneration	833 800	-
Car Allowance	110 000	-
Contributions to UIF, Medical and Pension Funds	10 964	-
Other	11 000	-
	965 764	**-**

Company Secretary

Annual Remuneration	675 260	610 275
Car Allowance	84 000	84 000
Contributions to UIF, Medical and Pension Funds	9 364	3 395
Other	15 462	38 906
	784 086	**736 576**

General Manager: Chief Information Officer

Annual Remuneration	728 000	-
Contributions to UIF, Medical and Pension Funds	8 549	-
Other	8 000	-
	744 549	**-**

General Manager: Operations

Annual Remuneration	899 879	874 970
Car Allowance	41 728	17 386
Contributions to UIF, Medical and Pension Funds	177 454	73 470
Other	17 051	54 685
	1 136 112	**1 020 511**

General Manager: Technical

Annual Remuneration	528 741	-
Contributions to UIF, Medical and Pension Funds	20 567	-
Other	5 000	-
	554 308	**-**

20. Investment revenue

Interest revenue		
Interest earned from investments	1 616 354	1 643 981
	-	-
	1 616 354	1 643 981

Average Earning or paying interest rate for the year is 6.75%

21. Finance costs

Non-current borrowings	17 871 454	13 782 828

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Cash generated from / (used in) operations

Deficit	(80 911 237)	(97 998 157)
Adjustments for:		
Depreciation and amortisation	38 818 861	46 424 457
Loss on disposal of assets	5 954 724	6 100 097
Impairment deficit	1 877 522	9 674 783
Debt impairment	-	7 288 861
Movements in retirement benefit assets and liabilities	(11 547 892)	1 162 000
Movements in provisions	2 271 621	2 055 149
mov in financial asset -non cash	459 447	-
Changes in working capital:		
Inventories	(3 965 442)	1 474 010
Receivables from exchange transactions	5 597 340	(5 761 503)
Consumer debtors	-	(7 288 861)
Prepayments	1 804 023	(1 938 595)
Payables from exchange transactions	4 445 616	7 332 156
VAT	-	(92 105)
Deferred income	(280 305)	439 258
	(35 475 722)	**(31 128 450)**

23. Commitments

Commitments in respect of capital expenditure:

Authorised and contracted		
• Property, plant and equipment	502 189 980	200 151 000
• Diesel	4 918 231	-
• Repairs and maintenance and others	5 026 242	-
• Other	11 616 424	-
	523 750 877	**200 151 000**
This expenditure will be financed from:		
Internal cash (loans from shareholder)	523 750 877	200 151 000

Operating leases - as lessee

Minimum lease payments due		
- within one year	5 493 330	458 843
- in second to fifth year inclusive	213 179	-
	5 706 509	**458 843**

Operating leases – as lessee (Buildings)

Minimum lease payments due		
Premises - Contractual amounts	948 628	458 843
Buses - Contractual amounts	2 543 257	9 855 300
Others	2 214 624	-
	5 706 509	**10 314 143**

Figures in Rand	2015	2014

24. Contingencies

Economic entity

2015

Employees Claims

1. **Promotion**: There is one labour dispute related to promotion that exist between Metrobus and two of its current employees. Management **feels** they have a **strong** case and is of the opinion that this will not result in any liability.

2. **Locomotion allowance**: There is one labour dispute related to locomotion allowance that exist between Metrobus and two of its current employees. Management feels they have a strong case and is of the opinion that this will not result in a liability.

3. **Gross dishonesty**: There is three seperate labour disputes related to dismissal for dishonesty that exist between Metrobus and three its ex-employees. In all these three cases awards were made in favour of Metrobus and the employees applied for reviews, the court dates are still pending. In one of them the employee dismissed has has proceeded to file a claim to the value of R1000.00 against four Metrobus employees who testified against in internal displinary hearing, Metrobus has assisted these employees to file opposing papers in this regard. Management feels they have a strong case and is of the opinion that this will not result in a liability.

4. **Unfair labour practice**: There is one labour dispute related to unfair labour practice that exist between Metrobus and one of its employees who was boarded in 2012. The employee claims that the termination of employment was on grounds of protected disclosure relating to his illness. An award was made in favour of Metrobus and the employee has applied for a review of this award. Management feels they have a strong case and is of the opinion that this will not result in a liability.

5. **Medical boarding**: There is a labour dispute related to medical boarding that exist between Metrobus and one of its ex-employees. An award was made in favour of Metrobus and the employee applied for a review of this award. Management feels they have a strong case and is of the opinion that this will not result in a liability.

6. **Unfair dismisal**: Unfair dismissal matter relating to a former employee which Metrobus lost at Bargaining council. Management felt it had a strong case and a review application was made. The matter was heard by the labour court on 9th October 2014 and judgment in favour of Metrobus was made on 17 October 2014.The application to have the arbitration award issued was dismissed. However, the legal representatives of the employee in question have served Notice Of Leave to Appeal. Should Metrobus lose the case, it would be required to settle an amount of R 600,000.00 in salaries backpay.

Supplier claims

Potential procurement claims: Three different parties who had an interest in certain tenders advertised and adjudicated on by Metrobus have instituted legal action against Metrobus. The potential exposure cannot be quantified at this stage as the matters are being considered by lawyers. However, the contract value of those tenders collectively is R346 481 195.27.

Figures in Rand	2015	2014

25. Related parties

Relationships	
Controlling entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	City Housing Company (Soc) Ltd
	City of Johannesburg Property Company (Soc) Ltd
	City Power Johannesburg (Soc) Ltd
	Johannesburg City Parks SOC Ltd
	Johannesburg Development Agency (Soc) Ltd
	Johannesburg Metropolitan Bus Services (Soc) Ltd
	Johannesburg Roads Agency (Soc) Ltd
	Johannesburg Tourism Company NPC
	Johannesburg Water (Soc) Ltd
	Metropolitan Trading Company (Soc) Ltd
	Pikitup Johannesburg (Soc) Ltd
	Roodepoort City Theatre NPC
	The Johannesburg Civic Theatre (Soc) Ltd
	The Johannesburg Fresh Produce Market (Soc) Ltd
	The Johannesburg Zoo NPC
	Johannesburg Social Housing Company (Soc) Ltd

Related party balances

Trade and other receivables regarding related parties		
City of Johannesburg Metropolitan Municipality	30 112 588	1 804 871
Johannesburg Water (Pty) Ltd	3 000	-
Johannesburg Development Agency (Pty) Ltd	9 340	-
	30 124 928	**1 804 871**
Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	20 194 690	292 194
Johannesburg Social Housing Company (Pty) Ltd	-	36 682
	20 194 690	**328 876**
Loans from shareholders		
City of Johannesburg Metropolitan Municipality	302 987 467	211 823 832

Related party transactions

Grants and subsidy from related parties		
City of Johannesburg Metropolitan Municipality (Subsidy)	400 637 000	329 703 000
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	32 452 741	7 882 399
Other receipts from related parties		
City of Johannesburg Metropolitan Municipality	3 144 694	1 554 345
Johannesburg City Parks (Pty) Ltd	12 050	-
Johannesburg Development Agency (Pty) Ltd	50 750	-
Johannesburg Social Housing Company (Pty) Ltd	8 520	-
Johannesburg Water (Pty) Ltd	19 120	-
	3 235 134	**1 554 345**
Interest paid to related party		
City of Johannesburg Metropolitan Municipality	17 442 956	13 635 024

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Directors' emoluments

No emoluments were paid to permanently employed executive directors or any individuals holding a prescribed office during the year.

Non-executive

2015

	Directors' fees	Total
A G Badela (Ex-Chairperson)	158 720	158 720
D Baloyi	39 352	39 352
Prof. B Twala	99 575	99 575
S Yanguya	155 992	155 992
K Khawe	80 723	80 723
S P Mzizi	66 877	66 877
H Msimango	32 507	32 507
S Mbedzi	152 482	152 482
K Shubane (Chairman)	71 855	71 855
N Batyi	45 982	45 982
M Moerane	56 549	56 549
M Mojapelo	109 767	109 767
Y Gordhan	76 717	76 717
K Parirenyatwa	77 541	77 541
B Lombard	96 567	96 567
	1 321 206	**1 321 206**

2014

	Directors' fees	Total
A G Badela (Chairperson)	585 272	585 272
V Z Mntambo (Former chairperson)	39 675	39 675
Mrs B Lombard	19 840	19 840
Prof. B Twala	43 650	43 650
S Yanguya	104 160	104 160
K Khawe	64 480	64 480
S P Mzizi	44 640	44 640
K Govender	29 760	29 760
N Selamolela	24 800	24 800
S Mbedzi	59 520	59 520
K H Setzin	124 000	124 000
W Dukuza	71 430	71 430
N Batyi	54 560	54 560
M Moerane	110 112	110 112
M Mojapelo	113 094	113 094
D Nyakale	19 840	19 840
Y Gordhan	74 400	74 400
K Parirenyatwa	24 800	24 800
R Kenosi	19 840	19 840
K Moyo	79 360	79 360
B Mbokazi	99 200	99 200
B Lombard	127 970	127 970
	1 934 403	**1 934 403**

Figures in Rand	2015	2014

27. Change in estimate

Property, plant and equipment

The useful life of plant and machinery was estimated in 2014 to be 6 -16 years. In the current period management have revised their estimate to 2 - 25 years. The effect of this revision has decreased the depreciation charge for the current period by R185 963

The useful life of furniture and fixtures was estimated in 2014 to be 6 - 20 years. In the current period management have revised their estimate to 1 - 25 years. The effect of this revision has increased the depreciation charges for the current period by R20 297

The useful life of motor vehicles was estimated in 2014 to be 4 - 17 years. In the current period management have revised their estimate to 3 - 20 years. The effect of this revision has decreased the depreciation charges for the current period by R156 369

The useful life of office equipment was estimated in 2014 to be 6 - 20 years. In the current period management have revised their estimate to 2 - 20 years. The effect of this revision has decreased the depreciation charges for the current period by R30 078

The useful life of IT equipment was estimated in 2014 to be 3 - 10 years. In the current period management have revised their estimate to 1 - 12 years. The effect of this revision has increased the depreciation charges for the current period by R192 455

The useful life of fare collection equipment was estimated in 2014 to be 6 - 10 years. In the current period management have revised their estimate to 4 - 18 years. The effect of this revision has decreased the depreciation charges for the current period by R233 158

The useful life of specialised vehicles was estimated in 2014 to be 5 - 30 years. In the current period management have revised their estimate to 2 - 40 years. The effect of this revision has decreased the depreciation charges for the current period by R52 118 832

The useful life of tools and loose gear was estimated in 2014 to be 2 - 11 years. In the current period management have revised their estimate to 2 - 22 years. The effect of this revision has increased the depreciation charges for the current period by R62 940

28. Prior period errors

Management discovered a number of errors that were made in the previous periods for which comparative figures have been restated accordingly.

Management erroneously disclosed the Intangible Assets cost as R9,079,299 and the accumulated depreciation as (R5,630,339) instead of R9,394,487 and (R5,945,527) respectively.

Management identified Building Assets that were errouneously classified as capital expenditure instead of operating expenditure. The correction of the error resulted in a decrease in the PPE cost (Buildings) of R1,456,560; a decrease in the Accumulated Depreciation of R84,247; a decrease in the depreciation expense of R75,873, a decrease in the Revaluation reserve of R1,146,953 and a decrease in the Accumulated Deficit of R310,234.

Management identified an error in classification between impairment and the revaluation reserve. The correction of the error resulted in an increase in the impairement expense by R2,340,494; an increase in the Revaluation Reserve of R1,591,143 and an increase in the Accumulated Deficit of R749,350.

Management identified an system error of transactions relating to prior years 2013/2014 in the current period relating to repairs and maintenance, water and stationery accounts . The correction of the error resulted in an increase in the Inventory by 4 664 247.35 and decrease in the Accumulated Deficit of R4 664 247.35.

Management identified an error of transactions relating to prior years 2013/2014 in the current period relating to retainer board fees . The correction of the error resulted in a increase of accruals by R337 275 and decrease in the Accumulated Deficit of R 337 225.

Statement of financial position

Increase in intangible assets cost due to erroneous disclosure in accumulated depreciation	315 188	-
Increase in intangible assets accumulated depreciation due to erroneous disclosure in cost	(315 188)	-
Increase in inventory as a result of reversal of prior period repairs and maintenance, water and stationery expenditure	4 664 247	-
Decrease in revaluation reserve due to reclassification of capital expenditure to operating expenditure.	-	(1 146 953)

Figures in Rand	2015	2014
28. Prior period errors (continued)		
Decrease in accumulated surplus due to reclasification of capital expenditure to operating expenditure.	-	-
Increase in property, plant and equipment cost due to previously unrecognised assets	596 506	-
Increase in accumulated depreciation as a result of other assets previously unrecognised	(522 802)	-
Increase in revaluation reserve as a result of reclassification between impairment and revaluation and relisation of disposal	(1 591 143)	-
Decrease in accumulated depreciation due to reclassification of capital expenditure to operating expenditure	75 873	-
Increase in accumulated surplus as a result of the realisation of the revlaution reserve	(749 350)	-
Increase in accruals as a result of reversal of prior period retainer board fees	337 275	-
	2 810 606	**(1 146 953)**
Statement of financial performance		
Decrease in depreciation (Buildings) due to reclasification of capital expenditure to operating expenditure.	(75 873)	(310 234)
Decrease in depreciation on other assets due to assets previously disposed which have been verified in current year and are in use.	(73 705)	165 967
Increase in impairement expense due to clasification errors between Impairment and revaluation reserve.	2 340 494	-
Decrease in Accumulated deficit due to reversal of prior period error in repairs and maintenance, water and stationery expenditure	(4 664 247)	-
Decrease in Accumulated deficit due to reversal of prior period error in retainer board fees	(337 275)	-
	(2 810 606)	**(144 267)**

29. Risk management

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 3, 12, 11, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity’s financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the City of Johannesburg Metropolitan Municipality. entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity’s operating units. The City of Johannesburg Metropolitan Municipality provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Figures in Rand	2015	2014

29. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Figures in Rand	2015	2014

29. Risk management (continued)

Credit risk

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Loans to shareholder	29 485 294	30 442 329
Trade and other receivables	16 146 899	15 455 872
Trade payables	113 546 976	27 196 255

Price risk / Market risk

The entity is exposed to commodity price risk regarding fuel. At present the company is investigating means to mitigate this risk but was unable to find measures to mitigate this risk for the past financial period, other than entering into a service agreement at the most favourable terms available with one of the major fuel suppliers.

Both diesel and bus part prices are also influenced by fluctuation in exchange rates. Management has very limited control over these fluctuations, but management does explore options to transfer risk of exchange rate fluctuations to suppliers by entering into fixed price contracts where ever possible.

30. Going concern

We draw attention to the fact that this entity is wholly dependent on The City of Johannesburg Metropolitan Municipality for continued funding of its operations. Should the subsidies be withdrawn, it is the opinion of management that the entity would not be in a position to continue as a going concern on its current mandate. The City of Johannesburg Metropolitan Municipality has continued to show strong support financially and management therefore has no reason to believe that the company would not be operating in the foreseeable future.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

31. Events after the reporting date

Management became aware of an error experienced on the payroll system of an estimated liability of approximately R3.1 million in PAYE. The current under collection in PAYE arose as a result of a system configuration that was designed to end October 31, 2015. The system configuration has since been corrected and SARS has been consulted to ensure that the matter is fully addressed. Management is investigating the full extent of the problem and this will be adjusted in the following financial year.

32. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure current year	181 228	-

The was no fruitless and wasteful expenditure during the period and in the previous year.

33. Irregular & Deviation expenditure

Reconciliation of irregular & Deviation expenditure

Opening balance	64 194 382	19 658 888
Irregular expenditure current year	128 605 972	44 535 494
Approved by Council or condoned	(59 468 120)	-
	133 332 234	**64 194 382**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

33. Irregular & Deviation expenditure (continued)

Details of irregular expenditure – current year

Non-application of SCM Policy The irregular expenditure relate to proper tender procedures not being followed. The tender procedures have been completed in 100% of all contracts were proper tender procedures had previously not been followed.	71 142 886	942 801
Contract amount exceeded. The irregular expenditure relate to contracts on which the contracted amounts have been exceeded. The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed. The tender procedures have been completed in 100% of all contracts involving contract amounts being exceeded. .	40 411 350	23 974 734
Deviations The expenditure relate to deviations approved by the accounting officer as required by the procurement regulations . Deviations based on urgency and emergency have been approved by the Accounting officer.	17 051 736	19 617 959
	128 605 972	**44 535 494**

Details of irregular expenditure condoned

Irregular and deviations expenditure incurred: The Board condoned and approved Irregular expenditure and deviations from procurement processes incurred during the 2014/15 financial year.	(59 468 120)	
	(59 468 120)	

Details of irregular expenditure recoverable (not condoned)

34. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	2 991 828	2 063 117

PAYE and UIF

Current year deductions	2 153 203	1 850 553
Amount paid - current year	(2 153 203)	(1 850 553)
	-	**-**

Pension and Medical Aid Deductions

Current year contributions	45 818 063	34 184 114
Amount paid - current year	(45 808 347)	(34 184 114)
	9 716	**-**

VAT

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

35. General Expenses

Advertising	4 022 401	3 942 331
Assessment rates & municipal charges	-	74 877
Auditors Remuneration	2 991 828	2 063 117
Bank charges	657 523	595 687
Cleaning	4 611 676	3 746 102
Commission paid	3 748 136	3 871 605
Computer expenses	6 115 590	6 230 569
Consulting and professional fees	12 484 860	6 632 671
Entertainment	211 769	436 559
Conferences and seminars	12 900	208 835
Lease rentals on operating lease	30 507 459	10 210 449
Motor vehicle expenses	8 971 165	8 667 719
Placement fees	349 642	1 405 493
Postage and courier	921	2 001
Printing and stationery	581 092	492 319
Royalties and license fees	188 303	143 599
Security (Guarding of municipal property)	7 249 510	5 875 765
Subscriptions and membership fees	18 156	228 759
Telephone and fax	2 393 260	2 385 383
Travel - local	83	8 629
Electricity	2 718 265	2 712 201
Council waste and sanitary fees	2 239 157	195 731
Water and utilities	21 613 988	243 648
Uniforms	2 158 297	141 738
	113 845 981	**60 515 787**

Notes to the Annual Financial Statements

36. New standards and interpretations

36.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	Not material
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	Not material
• GRAP 107: Mergers	01 April 2015	Not material
• GRAP 20: Related parties	01 April 2016	Not material
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	Not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	Not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	Not material
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	Not material
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	Not material
• GRAP108: Statutory Receivables	01 April 2015	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	Not material

Notes to the Annual Financial Statements

Figures in Rand	2015	2014